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SPOTLIGHT

Home-plus-decor loan

Why L&T Finance wants to fund more than just the shell of a house

Mithun Dasgupta



L&T Finance expects its cost of funds to increase by 30-35 basis points during the current financial year. In an interview with *businessline*, MD and CEO Sudipta Roy says the non-banking financial company (NBFC) is committed to growing both the microfinance and home loan segments. Edited excerpts:

Why are you launching a revamped home loan product?
 Most home loans get sold at rates. But we did a detailed customer research. Apart from rates, there are other things customers look at. We tried to cover this wide space.
 Three main components benefit the bank's 'complete home loan' package, apart from attractive interest rates — namely home decor finance, a dedicated relationship manager, and a completely digitised process.
 We believe we are the first providers of this complete product in the industry, and that it will gain a lot of traction going forward. We start from about ₹30 lakh and go up to ₹7 crore for the home loan. The home decor finance is 15 per cent of the home loan value and capped at ₹75 lakh.

What is the size of your home loan portfolio?
 It's about ₹18,500 crore for home loan, out of the total retail loan book of around ₹80,000 crore. So, home loans comprised around 23 per cent of our retail loan book in the last financial year. Since it is a new product, we are focusing a lot on it; we expect the share of home loan in the total loan book to marginally inch upwards to 25 per cent by the end of the current financial year.

What is the average ticket size for home loans?
 Average [home loan] ticket size for our company is about ₹70 lakh. Ticket size has gone up by around 10 per cent year-on-year. Currently, the home loan ticket size for the industry

would be ₹35-40 lakh.

L&T is a market leader in the construction business. How would you leverage that to grow the home loan business?
 L&T Realty is a very large player now, especially in the home users market. We work very closely with L&T Realty to position our home loans to customers trying to buy L&T Realty's flats. We are a large supplier of home loans to the end-consumers of L&T Realty apartments.
 Also, the group is very strong with AAA ratings... I think that is the major benefit of being part of a large group like L&T.

What is the cost of funds for L&T Finance?
 At the end of the last quarter (Q4 FY24), the cost of fund was around 7.82 per cent. In the previous quarter, it was 7.81 per cent. So, between the two quarters our cost of funds only went up by one basis point. In the first quarter this fiscal, obviously we are looking at some uptick in cost of funds.
 Overall, for the year, we see our cost of funds going up by 30-35 basis points. There was a

liquidity issue in the market at the beginning of the year.

There have been several mergers and acquisitions in the NBFC space. Do you have plans for inorganic growth?
 We are focused on growing our businesses organically.

What percentage of your business comes from microfinance? Since microfinance is unsecured lending, do you see its share falling in future?
 Our microfinance business is very large. It's our biggest business, comprising roughly 31 per cent of the loan book. We are one of the market leaders. This business is growing at a good pace and gives good yields. Since the ticket size of home loans is much larger, the home loan portfolio may grow faster than microfinance.
 But we expect our microfinance business to register a reasonable growth rate. So I cannot comment on when the share of microfinance will come down and home loan will go up. But the fact is that we are committed to growing both lines of business equally strongly.

NON-BANK CREDIT. Sudipta Roy, MD and CEO, L&T Finance

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<https://www.thehindubusinessline.com/specials/current-account/home-plus-decor-loan/article68193276.ece>

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Spotlight. Home-plus-decor loan PREMIUM

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BY MITHAJ DASGUPTA

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Sudipta Roy, Managing Director and CEO, L&T Finance

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